

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Thornapple	County Barry
Fiscal Year End March 31, 2007	Opinion Date June 1, 2007	Date Audit Report Submitted to State July 17, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

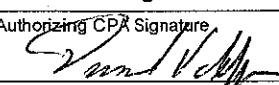
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).



1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not considered necessary	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269) 381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name Daniel L. Veldhuizen, CPA	License Number 1101020724

Township of Thornapple
Barry County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2007

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Thornapple, Michigan**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Thornapple, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Thornapple, Michigan, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 22 - 24, is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Thornapple, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

June 1, 2007

BASIC FINANCIAL STATEMENTS

Township of Thornapple
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 906,748	\$ 59,059	\$ 965,807
Receivables, net	149,116	156,924	306,040
Internal balances	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
Total current assets	1,065,864	205,983	1,271,847
Noncurrent assets:			
Capital assets not being depreciated - land	260,250	25,000	285,250
Capital assets being depreciated, net of accumulated depreciation	<u>3,015,013</u>	<u>636,116</u>	<u>3,651,129</u>
Total assets	<u>4,080,877</u>	<u>842,099</u>	<u>4,922,976</u>
LIABILITIES			
Current liabilities:			
Payables	50,058	11,337	61,395
Deferred revenue	-	5,600	5,600
Bonds payable	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total current liabilities	250,058	16,937	266,995
Noncurrent liabilities - bonds payable	<u>1,725,000</u>	<u>-</u>	<u>1,725,000</u>
Total liabilities	<u>1,975,058</u>	<u>16,937</u>	<u>1,991,995</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,350,263	661,116	2,011,379
Restricted for:			
Public safety	184,108	-	184,108
Debt service	242,917	-	242,917
Unrestricted	<u>588,781</u>	<u>189,046</u>	<u>777,827</u>
Total net assets	<u>\$ 2,366,069</u>	<u>\$ 850,162</u>	<u>\$ 3,216,231</u>

See notes to the financial statements

Township of Thornapple
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>
Governmental activities:			
Legislative	\$ 10,025	\$ -	\$ -
General government	428,547	97,957	-
Public safety	475,841	128,259	-
Public works	104,125	24,920	5,251
Community and economic development	62,771	7,935	-
Interest on long-term debt	61,685	-	-
Total governmental activities	<u>1,142,994</u>	<u>259,071</u>	<u>5,251</u>
Business-type activities:			
Ambulance	347,737	331,090	-
Sewer	<u>95,739</u>	<u>75,128</u>	<u>-</u>
Total business-type activities	<u>443,476</u>	<u>406,218</u>	<u>-</u>
Totals	<u>\$ 1,586,470</u>	<u>\$ 665,289</u>	<u>\$ 5,251</u>

General revenues:
Property taxes
State shared revenue
Unrestricted interest income
Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (10,025)		\$ (10,025)
(330,590)		(330,590)
(347,582)		(347,582)
(73,954)		(73,954)
(54,836)		(54,836)
<u>(61,685)</u>		<u>(61,685)</u>
 <u>(878,672)</u>		 <u>(878,672)</u>
	\$ (16,647)	(16,647)
	<u>(20,611)</u>	<u>(20,611)</u>
	 <u>(37,258)</u>	 <u>(37,258)</u>
 <u>(878,672)</u>	 <u>(37,258)</u>	 <u>(915,930)</u>
 810,911	-	810,911
269,666	-	269,666
36,154	823	36,977
<u>(75,000)</u>	<u>75,000</u>	<u>-</u>
 <u>1,041,731</u>	 <u>75,823</u>	 <u>1,117,554</u>
 163,059	38,565	201,624
<u>2,203,010</u>	<u>811,597</u>	<u>3,014,607</u>
 <u>\$ 2,366,069</u>	 <u>\$ 850,162</u>	 <u>\$ 3,216,231</u>

See notes to the financial statements

Township of Thornapple
BALANCE SHEET - governmental funds
 March 31, 2007

	Major funds				Total governmental funds
	<u>General</u>	<u>Fire</u>	<u>Debt Service</u>	<u>Emergency Services</u>	
ASSETS					
Cash	\$ 508,749	\$ 143,140	\$ 247,516	\$ 7,343	\$ 906,748
Receivables	68,970	28,915	22,359	28,872	149,116
Due from other funds	29,533	10,000	-	-	39,533
Total assets	<u>\$ 607,252</u>	<u>\$ 182,055</u>	<u>\$ 269,875</u>	<u>\$ 36,215</u>	<u>\$ 1,095,397</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 18,471	\$ 3,149	\$ 2,073	\$ 1,480	\$ 25,173
Due to other funds	-	29,533	-	-	29,533
Total liabilities	<u>18,471</u>	<u>32,682</u>	<u>2,073</u>	<u>1,480</u>	<u>54,706</u>
Fund balances:					
Reserved for debt service	-	-	267,802	-	267,802
Unreserved, undesignated	588,781	149,373	-	34,735	772,889
Total fund balances	<u>588,781</u>	<u>149,373</u>	<u>267,802</u>	<u>34,735</u>	<u>1,040,691</u>
Total liabilities and fund balances	<u>\$ 607,252</u>	<u>\$ 182,055</u>	<u>\$ 269,875</u>	<u>\$ 36,215</u>	<u>\$ 1,095,397</u>
 Total fund balances - all governmental funds					 \$ 1,040,691
 Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:					
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.					3,275,263
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.					(1,949,885)
Net assets of <i>governmental activities</i> (page 5)					<u>\$ 2,366,069</u>

See notes to the financial statements

Township of Thornapple

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2007

	Major funds				Total governmental funds
	General	Fire	Debt Service	Emergency Services	
REVENUES					
Property taxes	\$ 292,326	\$ -	\$ 257,307	\$ 345,648	\$ 895,281
State grants	274,917	-	-	-	274,917
Charges for services	20,578	127,095	-	-	147,673
Interest and rentals	28,166	2,049	5,939	-	36,154
Other	25,837	1,191	-	-	27,028
Total revenues	641,824	130,335	263,246	345,648	1,381,053
EXPENDITURES					
Legislative	10,025	-	-	-	10,025
General government	415,011	-	250	-	415,261
Public safety	-	366,495	-	-	366,495
Public works	101,703	-	-	-	101,703
Community and economic development	62,771	-	-	-	62,771
Capital outlay	2,422	2,925	-	-	5,347
Debt service:					
Principal	-	-	150,000	-	150,000
Interest	-	-	63,100	-	63,100
Total expenditures	591,932	369,420	213,350	-	1,174,702
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	49,892	(239,085)	49,896	345,648	206,351
OTHER FINANCING SOURCES (USES)					
Transfer in - Emergency Services Fund	-	235,913	-	-	235,913
Transfer out - Fire Fund	-	-	-	(235,913)	(235,913)
Transfer out - Ambulance Fund	-	-	-	(75,000)	(75,000)
Total other financing sources (uses)	-	235,913	-	(310,913)	(75,000)
NET CHANGES IN FUND BALANCES	49,892	(3,172)	49,896	34,735	131,351
FUND BALANCES - BEGINNING	538,889	152,545	217,906	-	909,340
FUND BALANCES - ENDING	\$ 588,781	\$ 149,373	\$ 267,802	\$ 34,735	\$ 1,040,691

See notes to the financial statements

Township of Thornapple
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)
Year ended March 31, 2007

Net change in fund balances - total governmental funds (page 7) \$ 131,351

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add: Assets acquired	6,580
Deduct: Provision for depreciation	(126,287)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net assets. 150,000

Decrease in accrued interest payable 1,415

Change in net assets of *governmental activities* (page 5) \$ 163,059

Township of Thornapple
STATEMENT OF NET ASSETS - proprietary funds
March 31, 2007

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 57,824	\$ 1,235	\$ 59,059
Receivables	<u>156,384</u>	<u>540</u>	<u>156,924</u>
Total current assets	214,208	1,775	215,983
Noncurrent assets:			
Capital assets not being depreciated - land	25,000	-	25,000
Capital assets being depreciated, net of accumulated depreciation	<u>65,116</u>	<u>571,000</u>	<u>636,116</u>
Total assets	<u>304,324</u>	<u>572,775</u>	<u>877,099</u>
LIABILITIES			
Current liabilities:			
Payables	2,031	9,306	11,337
Due to other funds	10,000	-	10,000
Deferred revenue	<u>5,600</u>	<u>-</u>	<u>5,600</u>
Total liabilities	<u>17,631</u>	<u>9,306</u>	<u>26,937</u>
NET ASSETS			
Invested in capital assets	90,116	571,000	661,116
Unrestricted (deficit)	<u>196,577</u>	<u>(7,531)</u>	<u>189,046</u>
Total net assets	<u>\$ 286,693</u>	<u>\$ 563,469</u>	<u>\$ 850,162</u>

See notes to the financial statements

Township of Thornapple
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - proprietary funds
Year ended March 31, 2007

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services, net of contractual adjustments	\$ 329,103	\$ 74,608	\$ 403,711
Other	<u>1,987</u>	<u>520</u>	<u>2,507</u>
Total operating revenues	<u>331,090</u>	<u>75,128</u>	<u>406,218</u>
OPERATING EXPENSES			
Personnel costs	217,266	9,725	226,991
Supplies	22,938	375	23,313
Contracted services	10,583	8,700	19,283
Repairs and maintenance	19,804	51,917	71,721
Insurance	27,177	3,609	30,786
Utilities	16,083	1,979	18,062
Bad debts	3,320	-	3,320
Miscellaneous	6,883	2,534	9,417
Depreciation	<u>23,683</u>	<u>16,900</u>	<u>40,583</u>
Total operating expenses	<u>347,737</u>	<u>95,739</u>	<u>443,476</u>
Operating loss	(16,647)	(20,611)	(37,258)
NONOPERATING REVENUE			
Interest revenue	<u>312</u>	<u>511</u>	<u>823</u>
LOSS BEFORE TRANSFER	(16,335)	(20,100)	(36,435)
TRANSFER IN			
Emergency Services Fund	<u>75,000</u>	<u>-</u>	<u>75,000</u>
CHANGES IN NET ASSETS	58,665	(20,100)	38,565
NET ASSETS - BEGINNING	<u>228,028</u>	<u>583,569</u>	<u>811,597</u>
NET ASSETS - ENDING	<u>\$ 286,693</u>	<u>\$ 563,469</u>	<u>\$ 850,162</u>

See notes to the financial statements

Township of Thornapple
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2007

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 293,271	\$ 75,208	\$ 368,479
Payments to vendors and suppliers	(105,471)	(62,717)	(168,188)
Payments to employees	(217,266)	(9,725)	(226,991)
Net cash provided by (used in) operating activities	(29,466)	2,766	(26,700)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer from Emergency Services Fund	75,000	-	75,000
Repayments on interfund balances	(5,000)	(5,000)	(10,000)
Net cash provided by (used in) noncapital financing activities	70,000	(5,000)	65,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	312	511	823
NET INCREASE (DECREASE) IN CASH	40,846	(1,723)	39,123
CASH - BEGINNING	16,978	2,958	19,936
CASH - ENDING	<u>\$ 57,824</u>	<u>\$ 1,235</u>	<u>\$ 59,059</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (16,647)	\$ (20,611)	\$ (37,258)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	23,683	16,900	40,583
(Increase) decrease in receivables	(26,419)	80	(26,339)
Increase (decrease) in:			
Payables	(2,003)	6,397	4,394
Deferred revenue	(8,080)	-	(8,080)
Net cash provided by (used in) operating activities	<u>\$ (29,466)</u>	<u>\$ 2,766</u>	<u>\$ (26,700)</u>

See notes to the financial statements

Township of Thornapple
STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*
March 31, 2007

ASSETS

Cash	\$ 308,623
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LIABILITIES

Payables	\$ 308,623
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See notes to the financial statements

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Thornapple, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for specific revenues, derived primarily from transfers from the Emergency Services Fund, that are to be expended for fire protection.

The Debt Service Fund accounts for the accumulation of resources restricted for, and the payment of, governmental debt principal, interest, and related costs.

The Emergency Services Fund accounts for specific revenues, derived primarily from property taxes, that are to be expended for the public safety functions of the Township, including both fire protection and ambulance services.

The Township reports the following major proprietary funds:

The Ambulance Fund accounts for the activities of the Township's ambulance service.

The Sewer Fund accounts for the activities of the Township's sewage collection system.

Private-sector standards of accounting issued prior to March 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports two fiduciary funds, the Agency Fund and the Tax Collection Fund, which account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	3 - 5 years
Sewer system	50 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (Continued):

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had the following significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	\$ 404,792	\$ 415,011	\$ (10,219)
Emergency Services	Transfer out - Fire Fund	232,000	235,913	(3,913)

NOTE 3 - CASH:

The Township's cash is presented in the financial statements as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Deposits	\$ 906,623	\$ 59,059	\$ 308,623	\$ 1,274,305
Cash on hand	125	-	-	125
	<u>\$ 906,748</u>	<u>\$ 59,059</u>	<u>\$ 308,623</u>	<u>\$ 1,274,430</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2007, \$1,693,787 of the Township's bank balances of \$1,981,706 was exposed to custodial credit risk because it was uninsured.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued):

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's funds are as follows:

	<u>Accounts</u>	<u>Property taxes</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental funds:				
General	\$ -	\$ 24,696	\$ 44,274	\$ 68,970
Fire	28,915	-	-	28,915
Debt Service	-	22,359	-	22,359
Emergency Services	-	28,872	-	28,872
Total governmental activities	<u>\$ 28,915</u>	<u>\$ 75,927</u>	<u>\$ 44,274</u>	<u>\$ 149,116</u>
Proprietary funds:				
Ambulance	\$ 156,384	\$ -	\$ -	\$ 156,384
Sewer	540	-	-	540
Total business-type activities	<u>\$ 156,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,924</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 260,250	\$ -	\$ -	\$ 260,250
Capital assets being depreciated:				
Buildings	2,577,517	-	-	2,577,517
Equipment and vehicles	<u>1,079,912</u>	<u>6,580</u>	<u>-</u>	<u>1,086,492</u>
Subtotal	<u>3,657,429</u>	<u>6,580</u>	<u>-</u>	<u>3,664,009</u>

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities (continued):				
Less accumulated depreciation:				
Buildings	\$ 239,405	\$ 64,438	\$ -	\$ 303,843
Equipment and vehicles	283,304	61,849	-	345,153
Subtotal	<u>522,709</u>	<u>126,287</u>	<u>-</u>	<u>648,996</u>
Total capital assets being depreciated, net	<u>3,134,720</u>	<u>(119,707)</u>	<u>-</u>	<u>3,015,013</u>
Governmental activities capital assets, net	<u>\$ 3,394,970</u>	<u>\$ (119,707)</u>	<u>\$ -</u>	<u>\$ 3,275,263</u>
Business-type activities:				
Capital assets not being depreciated - land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital assets being depreciated:				
Sewer system	844,994	-	-	844,994
Vehicles and equipment	259,208	-	-	259,208
Subtotal	<u>1,104,202</u>	<u>-</u>	<u>-</u>	<u>1,104,202</u>
Less accumulated depreciation:				
Sewer system	257,094	16,900	-	273,994
Vehicles and equipment	170,409	23,683	-	194,092
Subtotal	<u>427,503</u>	<u>40,583</u>	<u>-</u>	<u>468,086</u>
Total capital assets being depreciated, net	<u>676,699</u>	<u>(40,583)</u>	<u>-</u>	<u>636,116</u>
Business-type activities capital assets, net	<u>\$ 701,699</u>	<u>\$ (40,583)</u>	<u>\$ -</u>	<u>\$ 661,116</u>

Depreciation expense was charged to the Township's governmental functions as follows:

Governmental activities:	
General government	\$ 20,452
Public safety	<u>112,946</u>
Total governmental activities	<u>\$ 133,398</u>

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES:

At March 31, 2007, noncurrent liabilities are comprised of the following individual issue:

Governmental activities - bonds

\$2,275,000 2003 Limited Tax General Obligation Bonds; due in annual installments of \$75,000 to \$350,000 plus interest, ranging from 2.00% to 3.35%, through November 2013. \$ 1,925,000

Noncurrent liability activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
2003 Bonds	<u>\$ 2,075,000</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ 1,925,000</u>	<u>\$ 200,000</u>

At March 31, 2007, debt service requirements were as follows:

<u>Year ended March 31</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 200,000	\$ 59,724
2009	225,000	54,524
2010	250,000	48,224
2011	275,000	40,412
2012	300,000	31,888
2013 - 2014	<u>675,000</u>	<u>34,013</u>
Totals	<u>\$ 1,925,000</u>	<u>\$ 268,785</u>

NOTE 7 - PAYABLES:

Payables as of year end for the Township's funds are as follows:

	<u>Accounts</u>	<u>Accrued Liabilities</u>	<u>Total</u>
Governmental funds:			
General	\$ 18,220	\$ 251	\$ 18,471
Fire	3,149	-	3,149
Debt Service	2,073	-	2,073
Emergency Services	<u>1,480</u>	<u>-</u>	<u>1,480</u>
Total	<u>\$ 24,922</u>	<u>\$ 251</u>	<u>\$ 25,173</u>
Proprietary funds:			
Ambulance	\$ 2,030	\$ -	\$ 2,030
Sewer	<u>9,306</u>	<u>-</u>	<u>9,306</u>
Total	<u>\$ 11,336</u>	<u>\$ -</u>	<u>\$ 11,336</u>

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At March 31, 2007, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
Fire	\$ 10,000	Ambulance	\$ 10,000
General	<u>29,533</u>	Fire	<u>29,533</u>
Totals	<u>\$ 39,533</u>	Totals	<u>\$ 39,533</u>

The balance due to the Fire Fund represents a loan for a capital asset acquisition in prior years. The balance owed to the General Fund represents temporary cash flow assistance in a prior year.

The interfund transfers for the year ended March 31, 2007, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Fire	\$ 235,913	Emergency Services	\$ 235,913
Ambulance	<u>75,000</u>	Emergency Services	<u>75,000</u>
Totals	<u>\$ 310,913</u>	Totals	<u>\$ 310,913</u>

This transfer moved unrestricted revenues, collected in the Emergency Services Fund, to the Fire Fund and the Ambulance Fund to finance fire protection services and ambulance service operating costs.

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all of its full-time and regular part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a 90-day waiting period. The Township contributes to the plan an amount equal to 6% of the compensation of union employees and 5% of the compensation of nonunion employees. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$21,085 for the year ended March 31, 2007.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - JOINT VENTURE:

The Township is a participant in the Thornapple Area Parks and Recreation Commission (the Commission) along with the Village of Middleville (the Village) and the Thornapple Kellogg School District (the School District). The Administrative Board of the Commission consists of members appointed by each participating unit. The Commission was formed for the purpose of providing recreation services to the Thornapple area. The Township has no equity interest in the Commission; therefore, financial information of the Commission has not been included in the Township's financial statements.

Costs of operations and capital asset acquisitions of the Commission are supported by contributions from the Township, the Village, and the School District, each of which contributes one third of the Commission's budget. During the year ended March 31, 2007, the Township paid the Commission \$5,000.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Thornapple
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 305,250	\$ 305,250	\$ 292,326	\$ (12,924)
State grants	281,500	281,500	274,917	(6,583)
Charges for services	21,500	21,500	20,578	(922)
Interest	3,625	3,625	28,166	24,541
Other	28,500	28,500	25,837	(2,663)
Total revenues	<u>640,375</u>	<u>640,375</u>	<u>641,824</u>	<u>1,449</u>
EXPENDITURES				
Legislative	12,725	12,725	10,025	2,700
General government	385,130	404,792	415,011	(10,219)
Public works	105,515	105,775	101,703	4,072
Community and economic development	70,600	70,600	62,771	7,829
Capital outlay	3,250	3,304	2,422	882
Total expenditures	<u>577,220</u>	<u>597,196</u>	<u>591,932</u>	<u>5,264</u>
NET CHANGES IN FUND BALANCES	63,155	43,179	49,892	6,713
FUND BALANCES - BEGINNING	<u>538,889</u>	<u>538,889</u>	<u>538,889</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 602,044</u>	<u>\$ 582,068</u>	<u>\$ 588,781</u>	<u>\$ 6,713</u>

Township of Thornapple
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Charges for services	\$ 131,500	\$ 138,500	\$ 127,095	\$ (11,405)
Interest	1,000	1,000	2,049	1,049
Other	<u>1,200</u>	<u>1,200</u>	<u>1,191</u>	<u>(9)</u>
Total revenues	<u>133,700</u>	<u>140,700</u>	<u>130,335</u>	<u>(10,365)</u>
EXPENDITURES				
Public safety	417,770	443,571	366,495	77,076
Capital outlay	<u>3,500</u>	<u>4,828</u>	<u>2,925</u>	<u>1,903</u>
Total expenditures	<u>421,270</u>	<u>448,399</u>	<u>369,420</u>	<u>78,979</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(287,570)	(307,699)	(239,085)	68,614
OTHER FINANCING SOURCES				
Transfers in - Emergency Services Fund	<u>232,000</u>	<u>232,000</u>	<u>235,913</u>	<u>3,913</u>
NET CHANGES IN FUND BALANCES	(55,570)	(75,699)	(3,172)	72,527
FUND BALANCES - BEGINNING	<u>152,545</u>	<u>152,545</u>	<u>152,545</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 96,975</u>	<u>\$ 76,846</u>	<u>\$ 149,373</u>	<u>\$ 72,527</u>

Township of Thornapple**BUDGETARY COMPARISON SCHEDULE - Emergency Services Fund**

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 345,648	\$ 345,648	\$ 345,648	\$ -
OTHER FINANCING USES				
Transfers out:				
Fire Fund	(232,000)	(232,000)	(235,913)	(3,913)
Ambulance Fund	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Total other financing uses	<u>(307,000)</u>	<u>(307,000)</u>	<u>(310,913)</u>	<u>(3,913)</u>
NET CHANGES IN FUND BALANCES	38,648	38,648	34,735	(3,913)
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 38,648</u>	<u>\$ 38,648</u>	<u>\$ 34,735</u>	<u>\$ (3,913)</u>

**Members of the Township Board
Township of Thornapple, Michigan**

In planning and performing our audit of the financial statements of the Township of Thornapple as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Thornapple's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the Board of Trustees of the Township of Thornapple, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

June 1, 2007